

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 FEAE-00 AGR-10 PA-02 PRS-01 L-03 H-02 DODE-00

IO-13 /122 W

----- 061646

R 191202Z JUL 76

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 7217

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

UNCLAS NEW DELHI 10544

PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EFIN IN

SUBJECT: RECENT GOI ACTION TO BRING DOWN PRICES

REF: (A) NEW DELHI 10355 (B) TOFAS 129

1. FOLLOWING A HIGH LEVEL INTER-MINISTERIAL MEETING ON JULY 16 TO DEAL WITH RECENT PRICE INCREASES (REF A), THE GOI ANNOUNCED A NUMBER OF ANTI-INFLATIONARY MEASURES. THE GOVERNMENT IS PLANNING STRINGENT ACTION, INCLUDING THE USE OF THE MAINTENANCE OF INTERNAL SECURITY ACT (MISA), TO PREVENT DEALER STOCKPILING AND SPECULATION IN COTTON, SUGAR AND EDIBLE OILS. AGRICULTURE MINISTER JAGJIVAN RAM AND MINISTER OF STATE FOR HOME AFFAIRS MEHTA HAVE BOTH SENT MESSAGES TO STATE GOVERNMENTS DEMANDING A STRICT WATCH ON PRICES, ACTION AGAINST UNSCRUPULOUS TRADERS AND DETAILED REPORTS TO THE CENTER.

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2. ON COTTON, MINISTER OF COMMERCE CHATTOPADHYAYA TOLD NEWSMEN THAT CARRYOVER STOCKS OF COTTON FROM LAST YEAR WERE 1.35 MILLION BALES, WHICH WAS TWO MONTHS CONSUMPTION. HE NOTED THAT INDIA WOULD BE IMPORTING COTTON FROM TANZANIA, AFGHANISTAN, USSR, SUDAN AND EGYPT AS WELL AS SYNTHETIC FIBRES TO MEET THE COUNTRY'S DEMAND. REGARDING SUGAR, THE RELEASE FOR JULY TO THE MARKET HAS ALREADY BEEN RAISED TO 295,000 MT, WHICH MIGHT BE INCREASED FURTHER IF NECESSARY. THE GOI HAS ALSO TAKEN A NUMBER OF STEPS TO BRING DOWN PRICES OF VEGETABLE OILS (REF B).

3. IN ANOTHER DEVELOPMENT, OVER THE PAST MONTH THE GOI HAS BEEN PERSUADING DELHI BUSINESSMEN TO REDUCE PRICES "VOLUNTARILY". MANY STORES HAVE CUT RETAIL PRICES OF CLOTH BY TEN PERCENT AND RETAIL PRICES OF SHOES BY 10-15 PERCENT. PRICES OF SOME SERVICES - E.G. DRYCLEANERS AND TAILORS - HAVE ALSO BEEN REDUCED.

4. COMMENT. IN THE PAST FEW DAYS PRICES OF SUGAR AND VEGETABLE OILS HAVE COME DOWN IN VARIOUS PARTS OF THE COUNTRY. LATEST GOI ACTIONS SHOW THAT IT MEANS BUSINESS ON THE ANTI-INFLATIONARY FRONT. GOVERNMENT ECONOMIC AUTHORITIES HAVE INDICATED THAT COTTON, VEGETABLE OIL AND PERHAPS SUGAR HAVE BEEN THE MAIN CULPRITS FOR THE RECENT PRICE RISE AND THAT IF PRICES OF THESE COMMODITIES CAN BE KEPT UNDER CONTROL INFLATION CAN BE CONTAINED AT AN ACCEPTABLY LOW LEVEL.SAXBE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRICES, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 19 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976NEWDE10544
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760277-0326
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760745/aaaabmvq.tel
Line Count: 88
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 76 NEW DELHI 10355
Review Action: RELEASED, APPROVED
Review Authority: hackerp0
Review Comment: n/a
Review Content Flags:
Review Date: 22 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 APR 2004 by ThomasVJ>; APPROVED <31 JAN 2005 by hackerp0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: RECENT GOI ACTION TO BRING DOWN PRICES
TAGS: EFIN, IN
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006